

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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Applicant(s): Kevin W. Spear  
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Art Unit: 3691  
Examiner: Daniel Kesack  
Title: HYBRID CREDIT CARD TRANSACTION SYSTEM

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**REPLY BRIEF UNDER 37 CFR § 1.193**

This Reply Brief is filed pursuant to the Examiner's Answer mailed on July 20, 2007, which was in response to Appellant's Appeal Brief file January 19, 2007.

**Introduction**

The independent Claims of the present application recite embodiments of a system and method for processing transactions using a hybrid credit card. Specifically, independent Claim 1 recites an embodiment of a hybrid credit card transaction system for processing a transaction initiated by a cardholder using a hybrid credit card. The transaction is processed as either one of a group of virtual standard transactions routed through a clearinghouse or as one of a group of virtual closed loop transactions bypassing the clearinghouse. A logic-enabled merchant has a point-of-sale terminal that includes program logic operable to identify the hybrid credit card and to label the transaction. Claim 1 also includes an affiliated acquiring entity configured to acquire and direct the transactions as either virtual standard transactions to the clearinghouse or a virtual closed loop transaction so as to bypass the clearinghouse. In addition, Claim 1 includes an affiliated card issuing entity that accepts the virtual standard transactions from the clearinghouse and debits a credit card account and accepts the appropriately labeled virtual closed loop

transactions directly from the affiliated acquiring entity and debits a private label account. In the embodiment of Claim 1, the acquiring entity and card issuing entities are separate entities but are affiliated through an agreement to skip the clearinghouse. Independent Claim 14 recites an embodiment of a method of processing a transaction, initiated by a cardholder using a hybrid credit card, in a similar fashion to the system of Claim 1.

On April 13, 2006, the Appellant filed a Response to an Office Action mailed on January 18, 2006, for the above-listed application. In the Response, independent Claims 1 and 14 were amended in order to further distinguish the claims over the cited references by the Examiner. Specifically, Claims 1 and 14 were amended to add the feature wherein the acquiring entity and card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse. However in spite of the amendment, the Appellant received a Final Rejection mailed on June 16, 2006, wherein the Examiner rejected all the claims based on 35 U.S.C. §103(a). In particular, independent Claims 1 and 14 were rejected as obvious over Appellant's admission of prior art in the background section of the present application in view of U.S. Patent No. 5,590,038 to Pitroda ("*Pitroda*") in further view of EMTM 553: E-commerce Systems ("*EMTM*").

Appellant filed a Notice of Appeal on September 18, 2006, and filed an Appeal Brief on November 20, 2006. In response to the Appeal Brief, the Examiner filed an Examiner's Answer on July 20, 2007. In the Examiner's Answer, the Examiner maintains his rejection of the pending claims, and in particular, his rejection of independent Claims 1 and 14 based on the background section of the present application, *Pitroda*, and *EMTM*. Appellant has filed this Reply Brief in response to the Examiner's Answer.

### **Grounds for Rejection**

In the Examiner's Answer, the Examiner maintains the rejections presented in the Final Rejection mailed June 16, 2006.

The grounds for rejection are as follows:

(1) Claims 1-5, 8, 9, 12, 14-17, 20-21 and 24 were rejected under 35 U.S.C. §103(a) over the background section of the present application in view of U.S. Patent No. 5,590,038 to Pitroda ("*Pitroda*") in further view of EMTM 553: E-commerce Systems ("*EMTM*");

(2) Claims 6, 7, 18 and 19 were rejected under 35 U.S.C. §103(a) over the background section of the present application in view of *Pitroda* and *EMTM*, in further view of U.S. Published Patent Application 2002/0174030 to Praisner et al. ("*Praisner*");

(3) Claims 10 and 22 were rejected under 35 U.S.C. §103(a) over the background section of the present application in view of *Pitroda* in further view of Barron's Dictionary of Business Terms ("*Dictionary*");

(4) Claims 11 and 23 were rejected under 35 U.S.C. §103(a) over the background section of the present application in view of *Pitroda* and *EMTM*, in further view of American Express webpage; and

(5) Claims 13 and 25 were rejected under 35 U.S.C. §103(a) over the background section of the present application in view of *Pitroda* and *EMTM*, in further view of U.S. Patent No. 6,065,675 to Teicher ("*Teicher*").

### **Arguments**

As explained below, Appellant respectfully submits that Claims 1-25 are patentably distinct from the background section of the present invention, *Pitroda*, *EMTM*, *Praisner*, *Dictionary*, American Express webpage, and *Teicher*, taken individually or in combination. Accordingly, Appellant respectfully request that the aforementioned rejections be reversed.

### **Independent Claim 1**

As discussed above, independent Claim 1 was rejected under 35 U.S.C. §103(a) over the background section of the present application in view of *Pitroda* in further view of *EMTM*. Specifically, the Answer argues that the Appellant's admission in the background section of the present invention discloses the invention substantially as claimed in Claim 1. (Examiner's Answer p. 3). In particular, the Answer argues that the background section discloses a system for processing of credit card transactions, initiated by a cardholder using a hybrid credit card, as either one of a group of virtual standard transactions routed through a clearinghouse or one of a group of virtual closed loop transactions bypassing a clearinghouse. (Examiner's Answer p. 3 and 4). In addition, the Answer argues that the background section further discloses: (1) a credit

card; (2) a logic-enabled merchant processing a credit card transaction, (3) an affiliated acquiring entity configured to acquire and direct standard transactions to the clearinghouse and configured to acquire and direct closed loop transactions so as to bypass the clearinghouse; and (4) an affiliated card issuing entity accepting the standard transactions from the clearinghouse and debiting. (Examiner's Answer p. 4).

The Answer further states that the background section does not disclose a merchant using a point-of-sale (POS) terminal and labeling a particular transaction. (Examiner's Answer p. 4). However, the Answer argues that *Pitroda* discloses these elements. (*Id.*). In addition, the Answer argues that *Pitroda* further discloses private label accounts for which transactions are processed. (*Id.*). Finally, the Answer states that the background section does not disclose separate acquiring and issuing entities affiliated by an agreement to bypass a clearinghouse. (*Id.*). Though, the Answer argues that EMTM discloses this element. (*Id.*).

Appellant respectfully disagrees with many of the arguments presented in the Answer. Specifically, Appellant asserts that the cited references do not teach or suggest each and every element of Claim 1. For example, the cited references do not teach or suggest "[a] hybrid credit card transaction system for processing a transaction ..., said transaction system comprising:" (1) "a logic-enabled merchant having a point-of-sale terminal including program logic operable to identify the hybrid credit card and to label the transaction using the hybrid credit card as being one of the virtual closed loop transactions" and (2) "an affiliated acquiring entity" and "an affiliated card issuing entity ... wherein the acquiring entity and card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse."

Appellant notes that the background section of the present application describes two separate credit card transactions. These transactions include: (1) a standard transaction in which the acquiring entity must use the clearinghouse when different from the issuing entity; and (2) an "on-us" transaction in which the acquiring entity and issuing entity are the same and therefore are able to skip the clearinghouse. (Appellant's Application p. 1 and 2). Thus, neither of these two transactions represents a virtual closed loop transaction bypassing the clearinghouse wherein the acquiring entity and card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse. As noted above, this is affirmed by the Examiner's Answer stating,

“[a]pplicant’s admission does not disclose the newly claimed limitation of separate acquiring and issuing entities affiliated by an agreement to bypass a clearinghouse.” (Examiner’s Answer p. 5). However, the Answer further argues that this limitation is disclosed in *EMTM*.

Appellant notes that *EMTM* includes slides of a presentation describing electronic payment systems. Specifically, the Answer has cited pages 35-38, particularly page 37, as disclosing the newly claimed limitation. (*Id.*). The slide found on page 37 of *EMTM* shows the following:

Open and Closed Loop Systems

- Closed loop systems
  - Banks and other financial institutions serve as brokers between card users and merchants – no other institution is involved
  - American Express and Discover are examples
- Open loop systems
  - Transaction is processed by third party
  - Visa and MasterCard are examples.

Although the Answer does not provide a detailed argument, the Examiner in the Answer appears to be interpreting that “banks and other financial institutions” suggests that a plurality of these institutions participate cooperatively in a single closed loop transaction. However, this slide is merely stating that many banks and financial institutions participate in their own closed loop systems, not in cooperative closed loop systems. This is further reinforced by the phrase “no other institution is involved,” which is found on the slide. This phrase is referring to the fact that, by definition, a closed loop transaction flows only through a single financial institution from the merchant to the card user. Thus, *EMTM* fails to teach or suggest the newly claimed limitation of Claim 1 wherein separate acquiring and issuing entities are affiliated by an agreement to bypass a clearinghouse.

Furthermore, Appellant notes that *Pitroda* describes a universal electronic transaction (UET) card that is capable of storing information for a plurality of credit cards. (*Pitroda* Abstract). When the user makes a purchase at a merchant, the user selects one of the numbers of

credit cards stored in the universal electronic credit card device. (*Pitroda* col. 16, ll. 21-49). An image of the selected card is displayed and presented to the merchant, who then connects the device to a communication interface unit which is connected to a point-of-sale (POS) terminal and the transaction is initiated and completed. (*Id.*).

Therefore, *Pitroda* simply teaches a device for storing several credit cards. The Examiner's Answer argues that *Pitroda* discloses the specific limitations of the merchant using a POS terminal and labeling a particular transaction. (Examiner's Answer p. 4 and 5). However, other than having a more sophisticated mode of electronically obtaining the credit card account number, the POS of *Pitroda* goes through the normal clearing and transmission steps of a standard credit card transaction. Thus, the POS terminal of *Pitroda* has no logic enabled to detect and label a closed loop transaction so that a separate, but affiliated, acquiring entity and issuing entity can bypass a clearinghouse.

In light of the above, Appellant respectfully asserts that the background section of the present application, *EMTM*, and *Pitroda* fail to teach each and every element of Claim 1. Specifically, all three cited references fail to teach or suggest "[a] hybrid credit card transaction system for processing a transaction ..., said transaction system comprising:" (1) "a logic-enabled merchant having a point-of-sale terminal including program logic operable to identify the hybrid credit card and to label the transaction using the hybrid credit card as being one of the virtual closed loop transactions" and (2) "an affiliated acquiring entity" and "an affiliated card issuing entity ... wherein the acquiring entity and card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse." Accordingly, Appellant respectfully requests that the rejection of Claim 1 be reversed.

#### Independent Claim 14

Independent Claim 14 was also rejected under 35 U.S.C. §103(a) over the background section of the present application in view of *Pitroda* in further view of *EMTM*. The Examiner's Answer states that "[w]ith respect to Claim 14, it is a method form of Claim 1 and is rejected in a like manner." (Examiner's Answer p. 6). Thus, for the reasons explained above in regard to Claim 1, Appellant respectfully asserts that the background section of the present application,

*EMTM*, and *Pitroda* fail to teach each and every element of Claim 14. Specifically, the cited references fail to teach or suggest: “[a] method of processing a transaction, initiated by a cardholder using a hybrid credit card, ..., said method of processing a transaction comprising:” (1) “identifying the hybrid credit card using program logic at a point-of-sale of a logic enabled merchant and labeling the transaction using the hybrid credit card as being one of the virtual closed loop transactions” and (2) “wherein the affiliated acquiring entity and affiliated card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse,” as recited by independent Claim 14. Accordingly, Appellant respectfully requests that the rejection of Claim 14 be reversed.

*Dependent Claims 2-13*

Claims 2-13 depend from independent Claim 1 and therefore include all the limitations of Claim 1 plus additional limitations that further define the invention over the prior art. Accordingly, for at least the reasons set forth above in regard to independent Claim 1, Appellant respectfully requests that the aforementioned rejections be reversed.

*Dependent Claims 15-25*

Claims 15-25 depend from independent Claim 14 and therefore include all the limitations of Claim 14 plus additional limitations that further define the invention over the prior art. Accordingly, for at least the reasons set forth above in regard to independent Claim 14, Appellant respectfully requests that the aforementioned rejections be reversed.

**CONCLUSION**

For the foregoing reasons, Appellant respectfully submits that the Examiner's arguments presented in the Final Rejection and Examiner's Answer cannot be considered sufficient, whether considered alone or in combination, to provide sufficient bases for the rejections. It is requested that the Board reverse the rejections of record and order immediate allowance of all pending claims in this case.

Respectfully submitted,

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